



FEDERATION  
BANCAIRE  
FRANCAISE

*Banking supervision  
And Accounting issues Unit*

*The Director*

Paris, July 18<sup>th</sup> 2013

### **FBF Response to EBA Consultation on Own funds part III (CP/2013/17)**

Dear Madam,

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers.

The FBF appreciates that EBA intends to clarify in its Draft RTS own funds part 3 the way to identify and calculate the deductions as to the indirect and synthetic holdings in financial institutions which was indeed not sufficiently clear in its RTS part 1 last year. However the new draft proposal does not seem to address our concern as to the operational burden in identifying those and may lead to significant undue quantitative impacts in terms of valuation of the exposures.

We would like to highlight these key messages, which will be developed in the annex:

- for the valuation of synthetic holdings the amount to be taken into account shall not be the notional amount of the relevant instruments but the "delta" value;
- we encourage EBA to specify explicitly the exemptions from the definition of indirect holding in article 14a of this RTS, to avoid any confusion;
- the look-through approach, which proposed to identify all CET 1 instruments issued by a financial sector entity (FSE), held by an intermediate entity to deduct as indirect holdings, is too burdensome and costly. Regarding large institutions, implementing the LTA to all the funds in their investment portfolio is almost impossible;

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- This draft RTS does not specify whether the proposed approach is applicable to trading book or not. We hope trading book is not included in the scope ;
- For entities which are not exempted from the definition of indirect holdings, EBA should introduce a threshold of materiality upon which the LTA needs to be performed;
- We would like to ensure that minority interests from subsidiaries in third countries are indeed recognized.

You will find in the annex our answers and comments to the questions raised in the consultation paper. We thank for your consideration and remain at your disposal for any question or additional information you might have.

Yours sincerely,

A handwritten signature in black ink, consisting of a long horizontal line with a small loop at the end, and a shorter horizontal line above it.

Jean-Paul Caudal